

Indonesia's
LEADING and
PREFERRED
Petrochemical Company

PT Chandra Asri Petrochemical Tbk
COMPANY PRESENTATION

Bond Investors Trip – Barclays

Jakarta, October 7th, 2019

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- 1 Company Profile
 - 2 Year to Date Q2 2019 Performance
 - 3 Strategic & Growth Projects Update
 - 4 Outlook & Priorities
-



1. Company Profile

Chandra Asri – Indonesia's leading and preferred petrochemical company

Largest Integrated Petrochemical Producer in Indonesia

- ◆ **Largest integrated petrochemical producer** in Indonesia and operates the country's only naphtha cracker, styrene monomer and butadiene plants
- ◆ **Market leadership** in highly attractive Indonesia and SE Asia petrochemical market
 - Market share of approximately 50%, 20%, and 27% of the domestic market (including imports) in olefin, polyethylene, and polypropylene, respectively
- ◆ **Support** from Barito Pacific Group and Siam Cement Group
- ◆ **Vital National Object** status
- ◆ **Transformed in 2016 following the 4Q2015 Naphtha Cracker expansion**, Production capacity increased by some 43% to Ethylene 860 KTA, Propylene 470 KTA, Py-Gas 400 KTA, and Mixed C4 315 KTA
- ◆ **Further downstream expansion completed in 2018**, Butadiene plant up to 137 KTA from 100 KTA and new synthetic rubber plant with capacity of 120 KTA (a joint venture with Michelin)



CAP's main integrated manufacturing complex

Stable and Robust Financials Supported by Credit Strengths

- ◆ **Integration** from upstream cracker to downstream polyolefin products
 - Strategically located near key customers
- ◆ **Low production cost** base and **operating efficiencies**
 - Benefit from scale of feedstock sourcing and stable supplier relationships
 - Naphtha cracker utilization rate >90% in average
- ◆ **Long-standing relationships** with diverse customer base
 - No single customer accounts for more than 7-8% of consolidated revenue
 - Around +/- 75% of products by revenue were sold to domestic market
- ◆ **Captive distribution network** provides significant cost efficiencies
 - Key customers integrated with CAP production facilities via CAP's pipelines
 - Provides significant cost efficiencies to key customers
- ◆ New projects fueling **strategic growth**
 - Projects to expand downstream products, new polyethylene plants, debottlenecking of Polypropylene plant, MTBE/B1 plant and other efficiency improvements to complete integration of existing complex
 - CAP2 to spearhead the next phase of growth

Latest FY 2018 Key Figures

Net Revenues
USD2,543m

EBITDA
USD402m

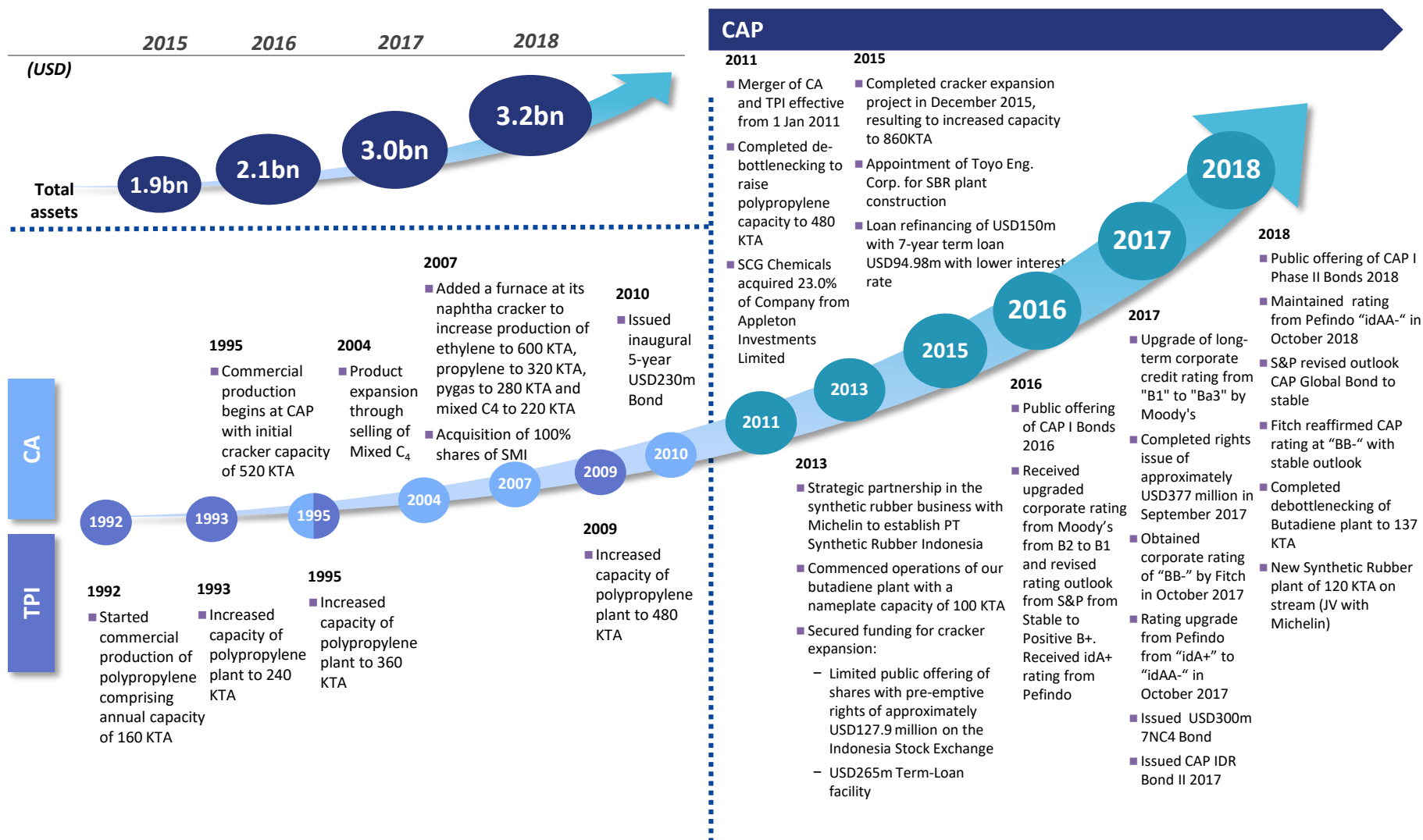
Net Income
USD182m

Cash Balance
USD727m

Cash Flow from
Operating Activities
USD404m

Capital Expenditure
USD354m

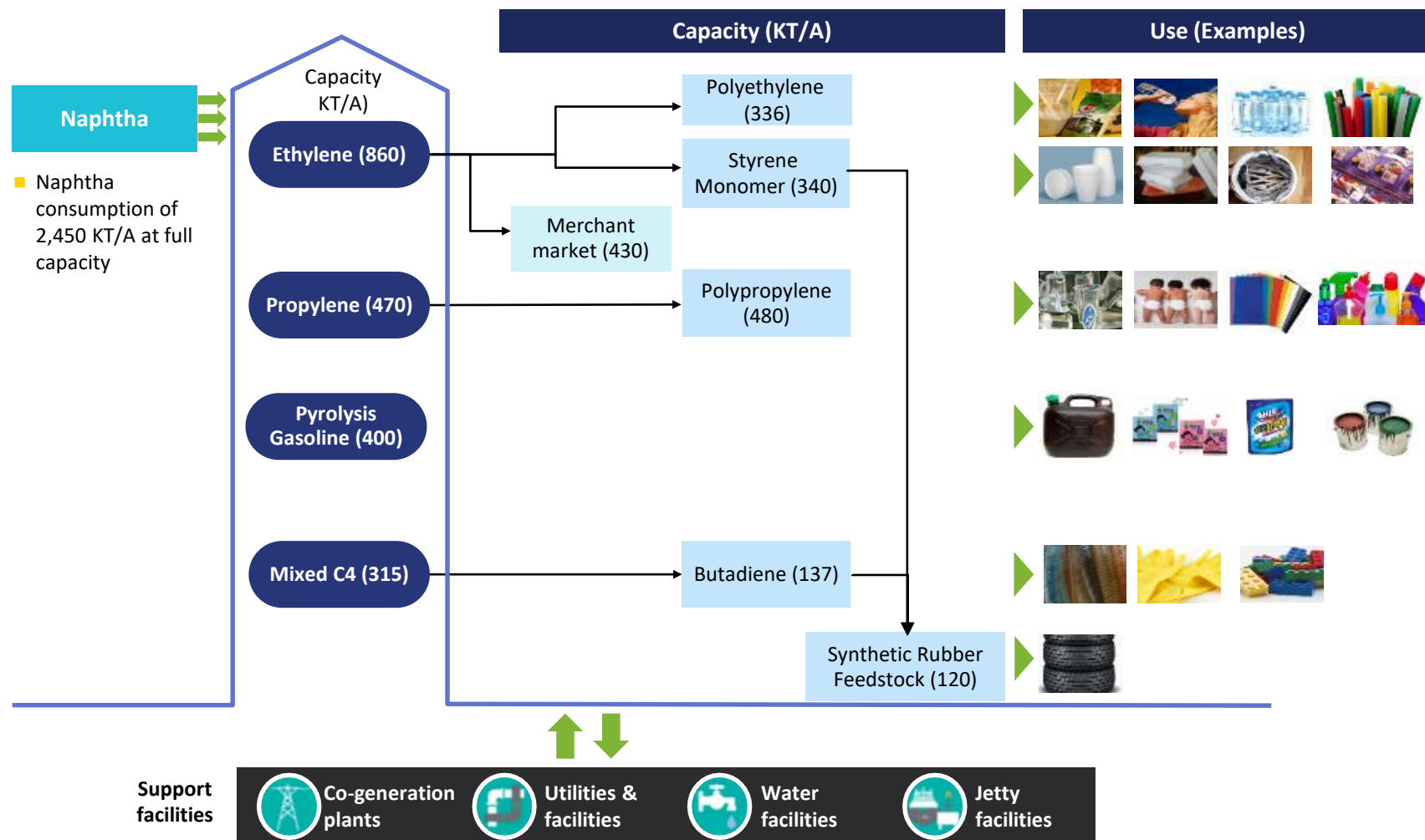
27-year track record of successful growth



Track record of achieving operational and structured growth

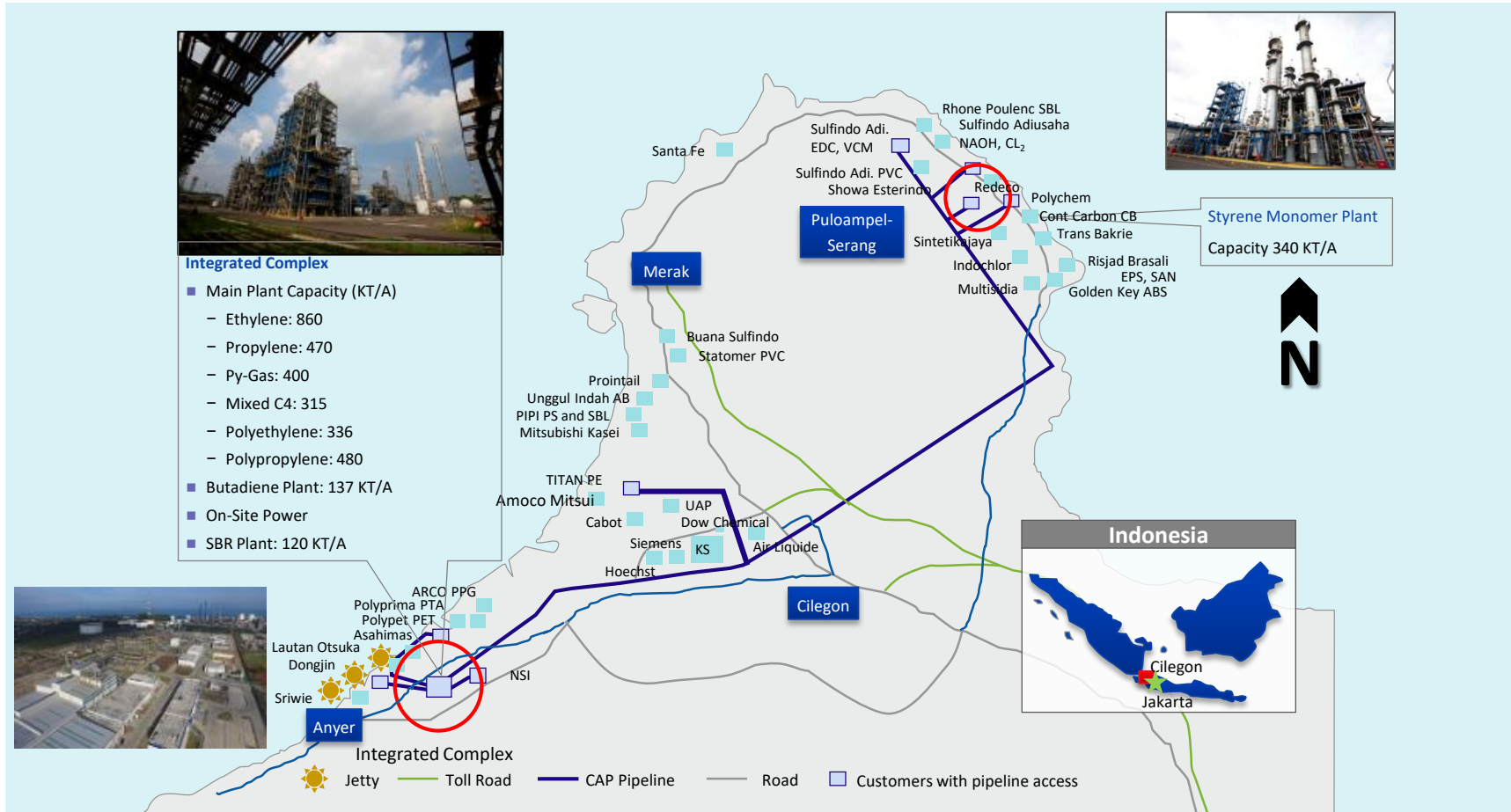
Integrated production of diverse products for CAP 1

CAP's products encompass a wide range across the consumer products value-chain, and its leading position and strategic location enhances its competitiveness



Strategically located to supply key customers

CAP's Integrated Petrochemical Complexes



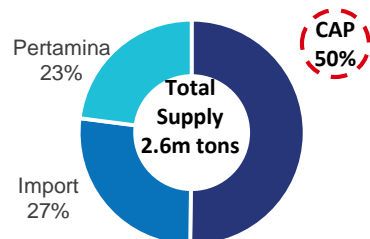
Location proximity and well established pipeline ensures excellent connectivity to key customers. This coupled with reliability of supply lead to premium pricing, with integration of facilities creating significant barriers to entry.

Solid track record

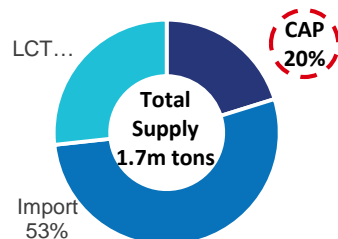
CAP is an Indonesian market leader across all its products

Largest Petrochemical Company in Indonesia¹

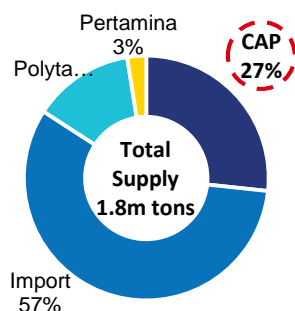
Olefins



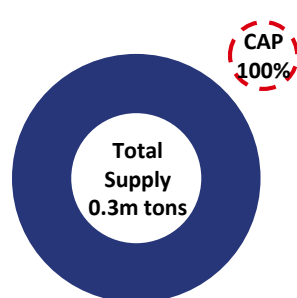
Polyethylene



Polypropylene

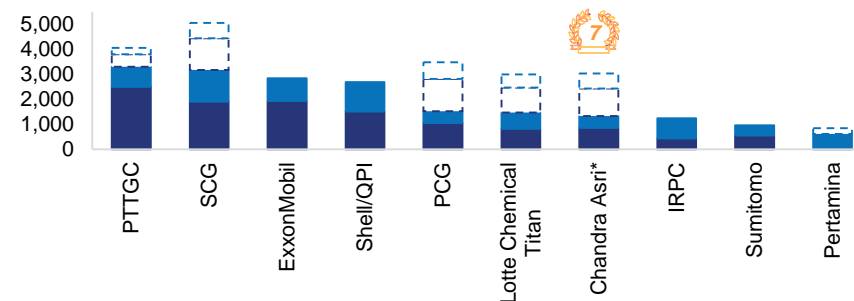


Styrene Monomer



Olefin Top 10 South East Asia Producers²

('000 tons per year)

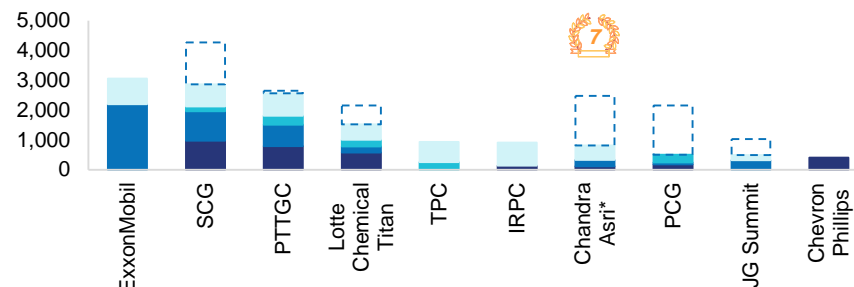


■ Ethylene

■ Propylene

Polyolefin Top 10 South East Asia Producers²

('000 tons per year)



■ HD ■ LL ■ LD ■ PP ■ Polyolefins Capacity Addition

CAP is a market leader in Indonesia across all of its products, and a leading player in the region






Source: Nexant 2019

Note:

1. By production excluding fertilizer producers and including imports
2. Chandra Asri capacity is inclusive of SCG's equity in Chandra Asri

CAP is Indonesia's largest petrochemical producer

Capacities of Petrochemical Producers in Indonesia (2018)

Capacity ('000 tons per year)	 Chandra Asri Petrochemical	 LOTTE CHEMICAL TITAN	 PERTAMINA	Polytama	Asahimas	 PT SULFINDO ARABERAA	 TPPI	Others	Total
Ethylene	860	-	70	-	-	-	-	-	930
Propylene	470	-	608	-	-	-	-	-	1,078
LLDPE	200	200	-	-	-	-	-	-	400
HDPE	136	250	-	-	-	-	-	-	386
Polypropylene	480	-	45	240	-	-	-	-	765
Ethylene Dichloride	-	-	-	-	760	370	-	-	1130
Vinyl Chloride Monomer	-	-	-	-	875	130	-	-	1005
Polyvinyl Chloride	-	-	-	-	550	95	-	202	847
Ethylene Oxide	-	-	-	-	-	-	-	240	240
Mono Ethylene Glycol	-	-	-	-	-	-	-	220	220
Acrylic Acid	-	-	-	-	-	-	-	140	140
Butanol	-	-	-	-	-	-	-	20	20
2-Ethylhexanol	-	-	-	-	-	-	-	140	140
Pygas	400	-	-	-	-	-	-	-	400
Crude C4	315	-	-	-	-	-	-	-	315
Butadiene	119 ¹	-	-	-	-	-	-	-	119
Benzene	-	-	125	-	-	-	400	-	525
Para-Xylene	-	-	298	-	-	-	540	-	838
Styrene	340	-	-	-	-	-	-	-	340
Synthetic Rubber	80 ²	-	-	-	-	-	-	75	155
Total	3,400	450	1,146	240	2,185	595	940	1,037	9,993

CAP offers the most diverse product range and is a dominant producer with market share of approximately 50%, 20%, and 27% of the domestic market (including imports) in olefin, polyethylene and polypropylene respectively

Source: Nexant 2019

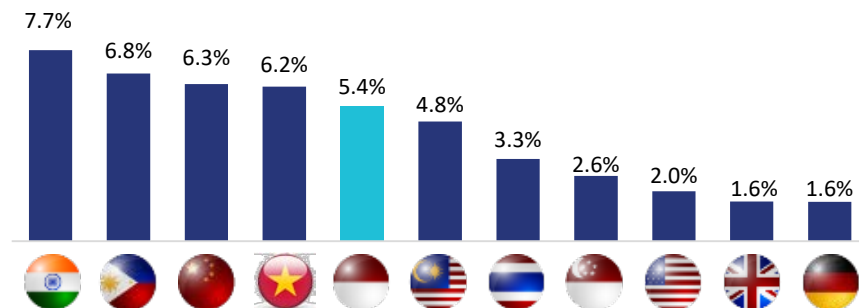
Note:

1. Butadiene capacity was expanded from 100 000 tons per year to 137 000 tons per year in mid 2018. Thus, annualized butadiene capacity for 2018 was 119 000 tons per year.
2. SRI, a joint venture of CAP and Michelin, started up 120 000 tons per year of synthetic rubber capacity in Q3 2018. Thus, annualized synthetic rubber capacity for 2018 was 80 000 tons per year. Synthetic rubber includes styrene butadiene rubber and polybutadiene rubber.

Indonesian petrochemical market overview

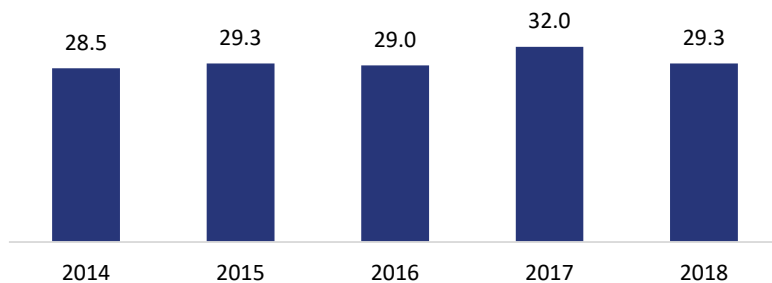
Attractive Indonesian macroeconomic growth and consumption trends

GDP Growth CAGR (2017 – 2020F)⁽¹⁾

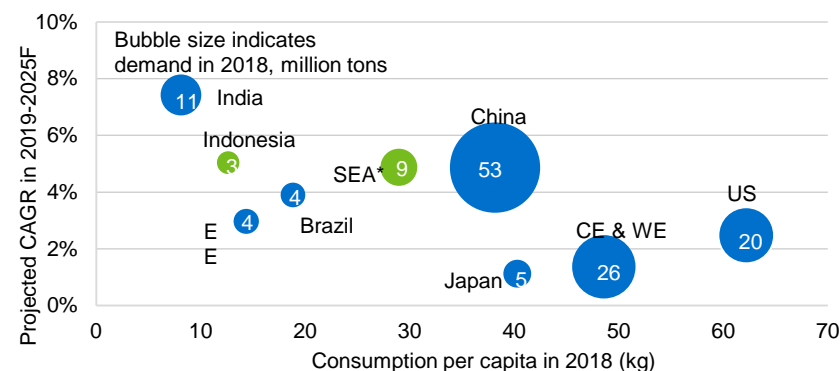


Foreign Direct Investment in Indonesia (2014-2018)

(USDbn)



Polyolefin Consumption per Capita⁽²⁾



Note: EE = Eastern Europe, CE = Central Europe, WE = Western Europe, SEA* = South East Asia (including Malaysia, Philippines, Singapore, Thailand and Vietnam) * Excluding Indonesia

Domestic Trends

Rising population

Quality of life

Product substitution

Consumer spending

Urbanization

Manufacturing

Source: Nexant 2018, IMF, BKPM

Note:

- GDP, constant prices; IMF World Economic Outlook Database, October 2017
- Polyolefins include HDPE, LLDPE, LDPE and PP

Indonesian petrochemical market overview

Strong demand growth for petrochemical products in Indonesia

End Markets

Polyethylene

- Plastic films
- Containers
- Bottles
- Plastic bags



Polypropylene

- Packaging
- Films and sheets
- Fibers and filaments
- Toys
- Automotive parts



Styrene Monomer

- Drinks cups
- Food containers
- Car interiors
- Helmet padding

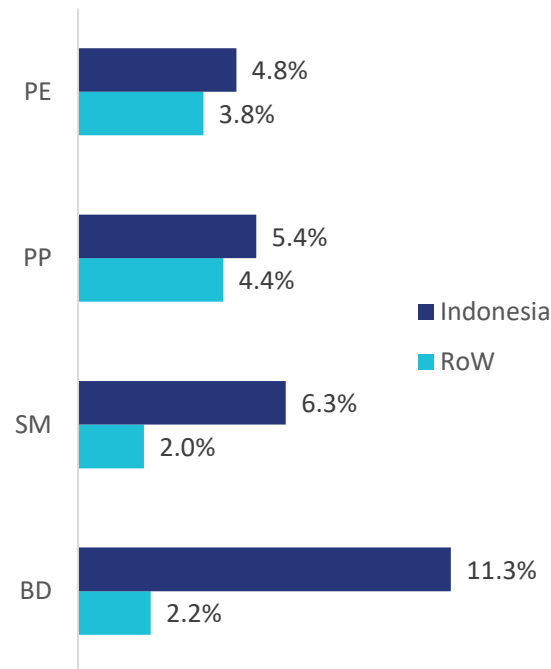


Butadiene

- Vehicle tires
- Synthetic rubber
- Gloves and footwear



Total Demand Growth (2018 – 2025F CAGR⁽¹⁾)



Petrochemical products are fundamental to the production of a wide variety of consumer and industrial products, such as packaging, containers, automotive and construction materials

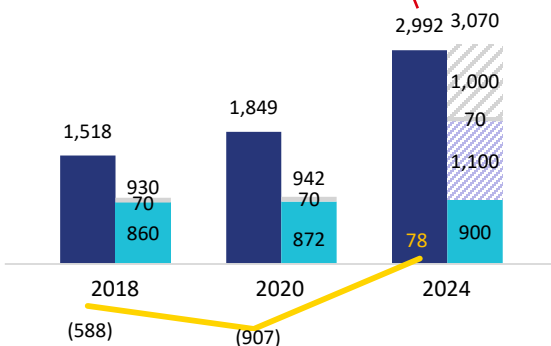
Petrochemical market supply in Indonesia

CAP is well-positioned to benefit from increasing supply-demand gap in Indonesia

Ethylene

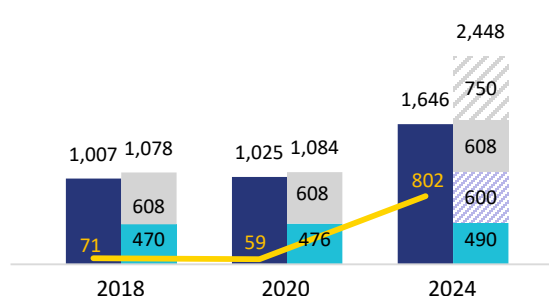
(KTA)

3 crackers needed to catch up with domestic demand



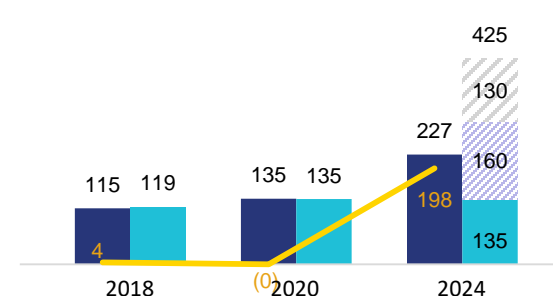
Propylene

(KTA)



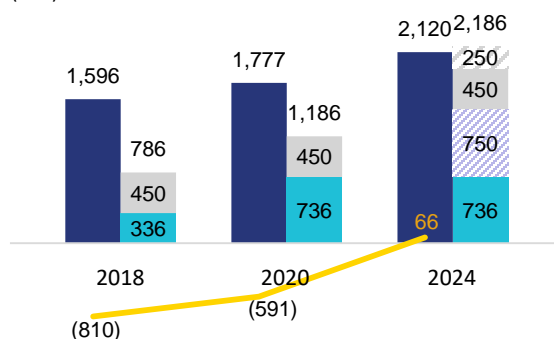
Butadiene

(KTA)



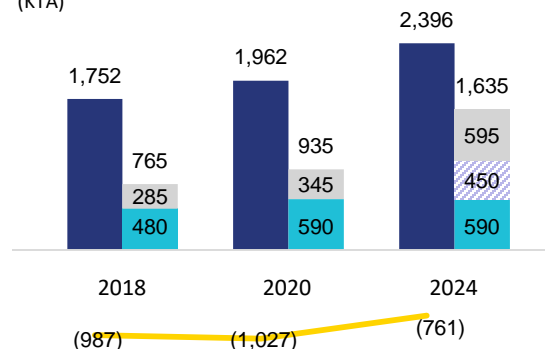
Polyethylene

(KTA)



Polypropylene

(KTA)

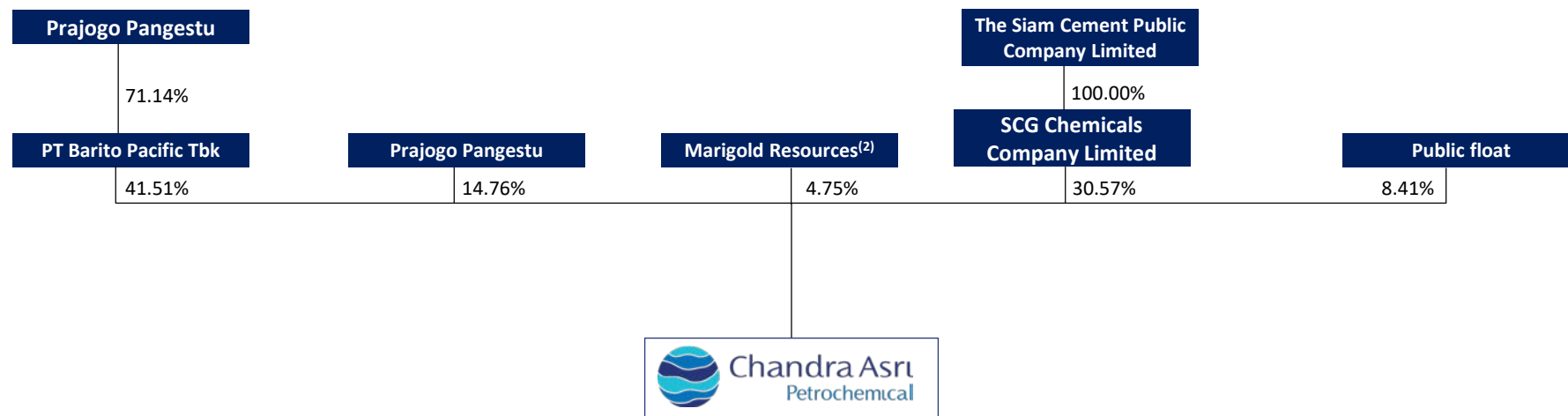


The petrochemical market in Indonesia will continue to see an increasing gap between supply and demand.
 CAP2 will be well-placed to capture the excess domestic demand.

■ Demand ■ CAP1 ■ CAP2 ■ Other producers ■ Forecasted capacity additions (non-firm) ■ Balance (including non-firm capacity additions)

Shareholder Structure

Strong commitment from Shareholders



Barito Pacific

- ◆ Indonesia based conglomerate with business interests in property, timber, plantation, power generation and petrochemicals

Siam Cement Group

- ◆ Thailand's largest industrial conglomerate and Asia's leading chemicals producer
- ◆ Invested 30% in CAP in 2011
- ◆ Second largest olefins and polyolefin producer in South East Asia

Key benefits of partnership

- ◆ Barito Pacific is committed to the growth and development of CAP
 - Available land for expansion
 - Financial commitment (e.g. full subscription to 2013 rights offering)

Key benefits of partnership

- ◆ Sharing of production know-how and best operational practices
- ◆ Raw material procurement savings
- ◆ Sales and marketing collaboration
- ◆ Access to Thai financial institutions
- ◆ Accelerate CAP's expansion plans

Strong backing from long term marquee strategic regional investors committed to development of the business

Note:

1. Group structure as of 30 June 2019
2. Subsidiary of PT Barito Pacific Tbk

Strong management team with substantial industry experience

Board of Commissioners

						
DJOKO SUYANTO President Commissioner Independent Commissioner	TAN EK KIA VP Commissioner Independent Commissioner	HO HON CHEONG Commissioner, Independent Commissioner	AGUS SALIM PANGESTU Commissioner	LIM CHONG THIAN Commissioner	THAMMASAK SETHAUDOM⁽¹⁾ Commissioner	CHOLANAT YANARANOP⁽¹⁾ Commissioner
3 years in Industry 3 years with CAP	45 years in Industry 7 years with CAP	3 years in Industry 3 years with CAP	12 years in Industry 12 years with CAP	38 years in Industry 13 years with CAP	27 years in Industry <1 year with CAP	31 years in Industry 6 years with CAP

Board of Directors

						
ERWIN CIPUTRA President Director	CHATRI EAMSOBHANA⁽¹⁾ VP Director of Operations	BARITONO PRAJOGO PANGESTU VP Director of Polymer Commercial	ANDRE KHOR Director of Finance	SOMKOUN SRIWATTAGAPHONG⁽¹⁾ Director of Manufacturing	FRANSISKUS RULY ARYAWAN Director of Monomer Commercial	SURYANDI Director of Human Resource and Corp. Administration
14 years in Industry 14 years with CAP	22 years in Industry <1 year with CAP	13 years in Industry 13 years with CAP	14 years in Industry <1 year with CAP	21 years in Industry <1 year with CAP	16 years in Industry 16 years with CAP	28 years in Industry 28 years with CAP

(1) Representative of SCG

Clear focus on Environmental, Social and Governance factors across 4 Key Pillars

Health

- ◆ Immunization and family planning services
- ◆ Distribution of milk and supplementary food for infants



Socioeconomic

- ◆ SME Micro Financing Programme for local entrepreneurs
- ◆ Support co-op for the union employees



Environment


- ◆ Converted over 2m used plastic bags into more than 6km2 of plastic-asphalt road that is 40% more durable



Education

- ◆ Awarded scholarships to leading Indonesian universities.
- ◆ Math and Physics teacher training programmes





2. Year to Date Q2 2019 Performance

Summary Highlights

- ◆ Achieved 32 million work hours without Loss Time Accident as of 30 June 2019.
- ◆ First half 2019 financial performance reflects moderating global petrochemical margins due to capacity additions, and softening demand brought about by the US-China trade tension, offset by growing Indonesian demand on the back of steady GDP growth of 5.05%.
- ◆ Consolidated Net Revenues of US\$1,054mn (6M 2019) vs US\$1,286mn (6M 2018), mainly due to lower average sales prices of Ethylene and Polyethylene.
- ◆ EBITDA of US\$125mn (6M2019) against US\$233mn (6M2018) due to the moderating petrochemical cycle, with double-digit margins sustained at 12%.
- ◆ Net Profit After Tax was US\$33.3mn for 6M2019, compared to US\$115.5mn in same period last year. The US\$82.2mn reduction is largely attributable to lower gross profit (-US\$103.0mn), increased share in the net loss of an associate (-US\$3.1mn), lower tax expense (+US\$21.6mn), and savings on general and administrative expenses (+US\$2.0mn).
- ◆ Maintained a robust balance sheet with Net Debt to EBITDA at 0.5X, and strong liquidity with US\$649mn in cash and cash equivalents.
- ◆ Start-up of New PE and PP Debottlenecking on track and within budget for Q4 2019, tied in with Turn-Around Maintenance targeted for 55 days commencing August 2019.
- ◆ Total capacity of 3,968KTA after expansion in line with strategy of downstream integration and expansion, to sustain position as Indonesia's leading petrochemical Company.
- ◆ Continue making progress on CAP 2 project to deliver transformational growth, with ongoing process for the selection of a Strategic Investor.



YTD Q2 2019 Key Figures (in US\$m)

Net Revenues
1,054

EBITDA
125

Net Income
33

Cash Balance
649

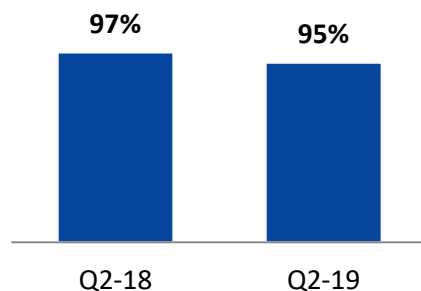
**Cash Flow From
Operations**
(42)

**Capital
Expenditure**
152

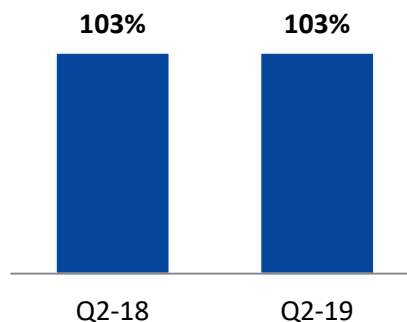
Operating Rates

year to date

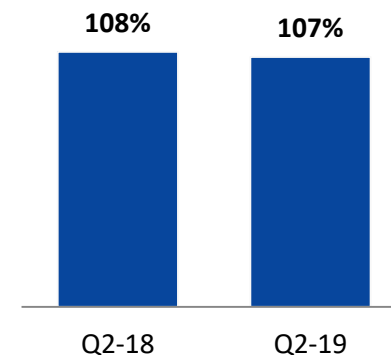
Naphtha Cracker



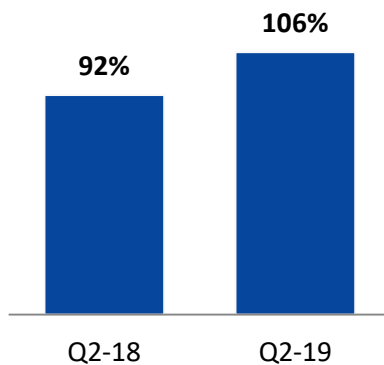
Polyethylene Plant



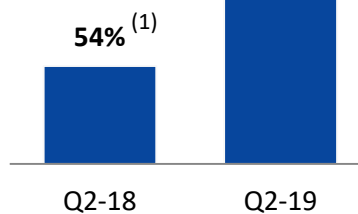
Polypropylene Plant



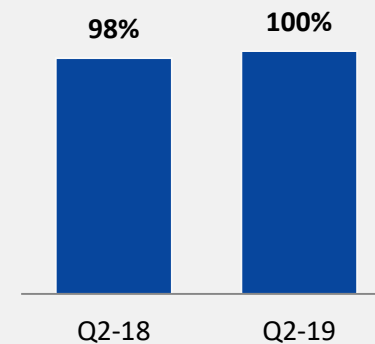
Styrene Monomer Plant



Butadiene Plant



All Plants

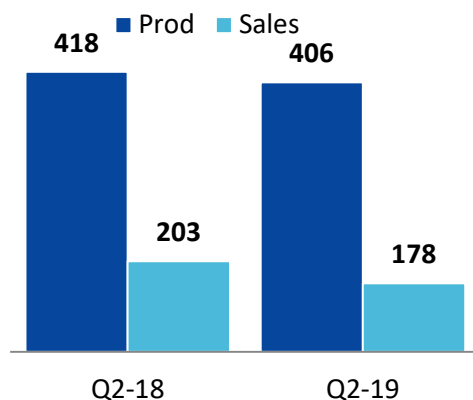


(1) Due to planned shutdown during Mar-Jun 2018 (90 days) for tie-in works of 37% capacity expansion to 137KTA and TAM

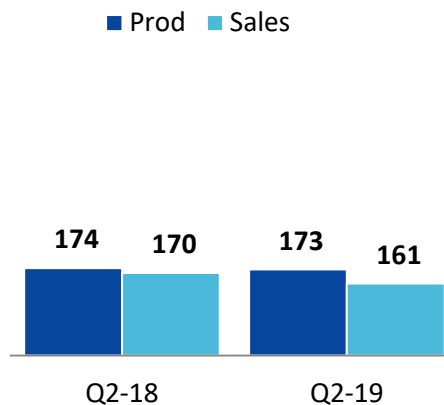
Production and Sales Volumes (in KT)

year to date

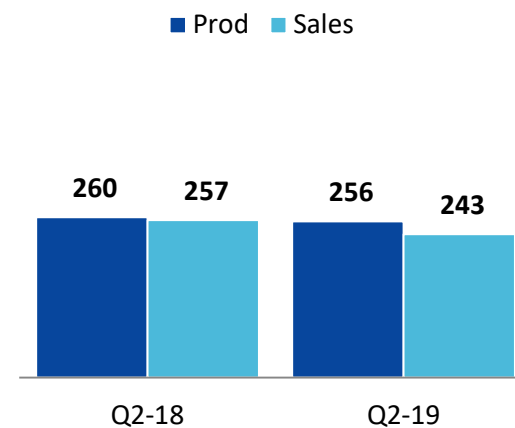
Ethylene⁽¹⁾



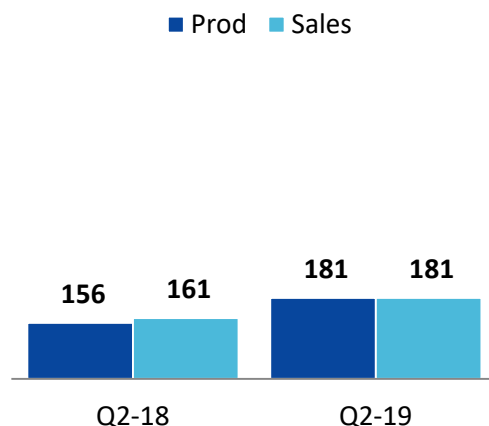
Polyethylene Plant



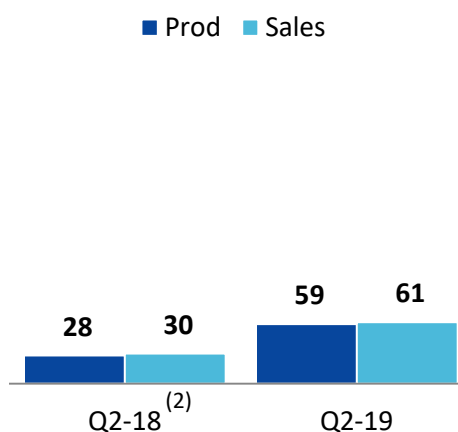
Polypropylene Plant



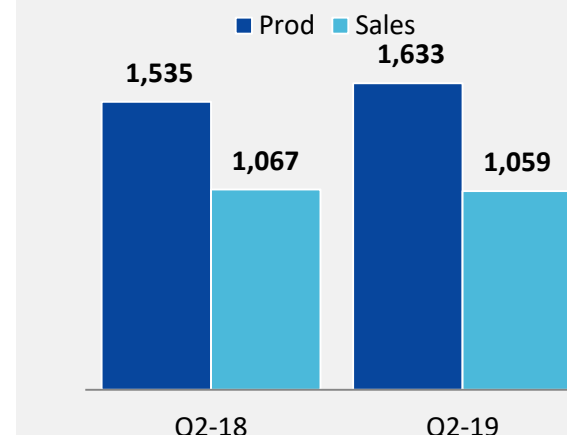
Styrene Monomer Plant



Butadiene Plant



Total Production & Sales Volume



(1) Ethylene is used as a feedstock for our Polyethylene and Styrene Monomer plant according to its capacity while the remaining of Ethylene production is sold to merchant sales.

(2) Due to planned shutdown during Mar-Jun 2018 (90 days) for tie-in works of 37% capacity expansion to 137KTA and TAM.

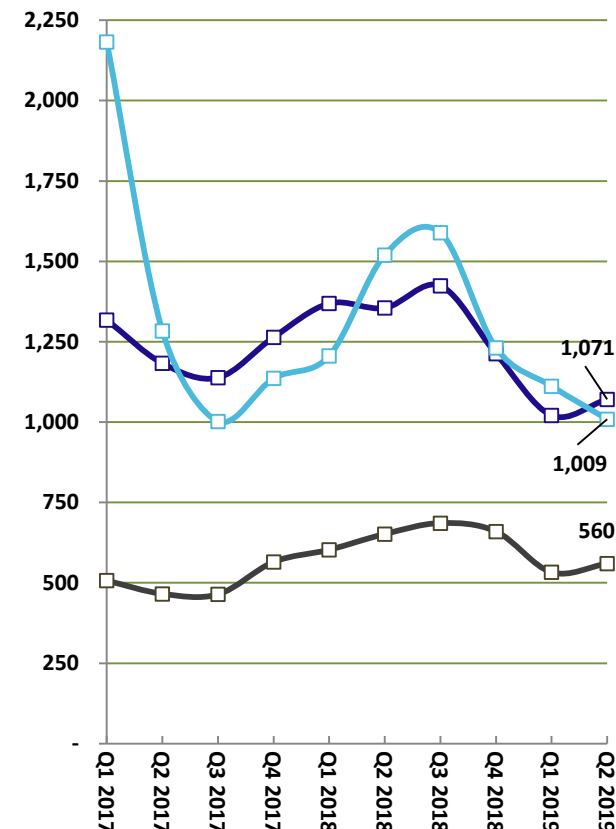
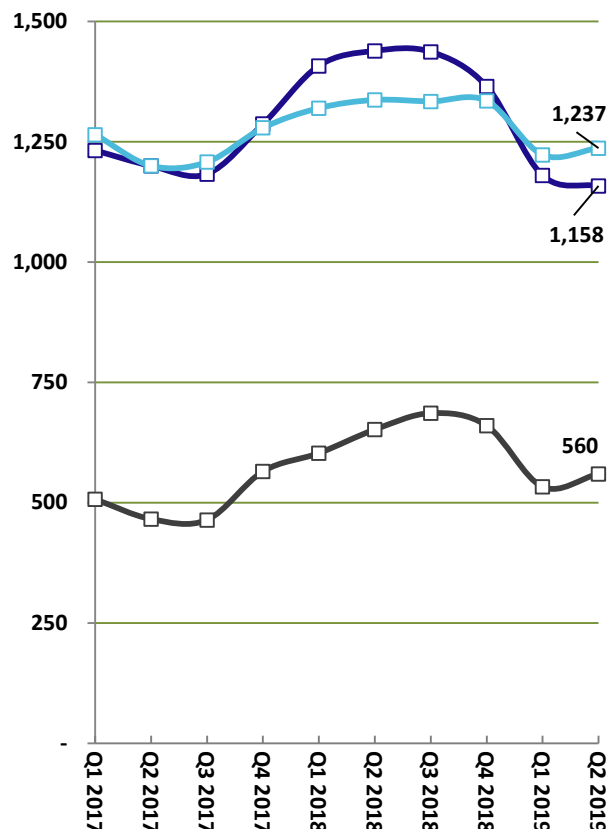
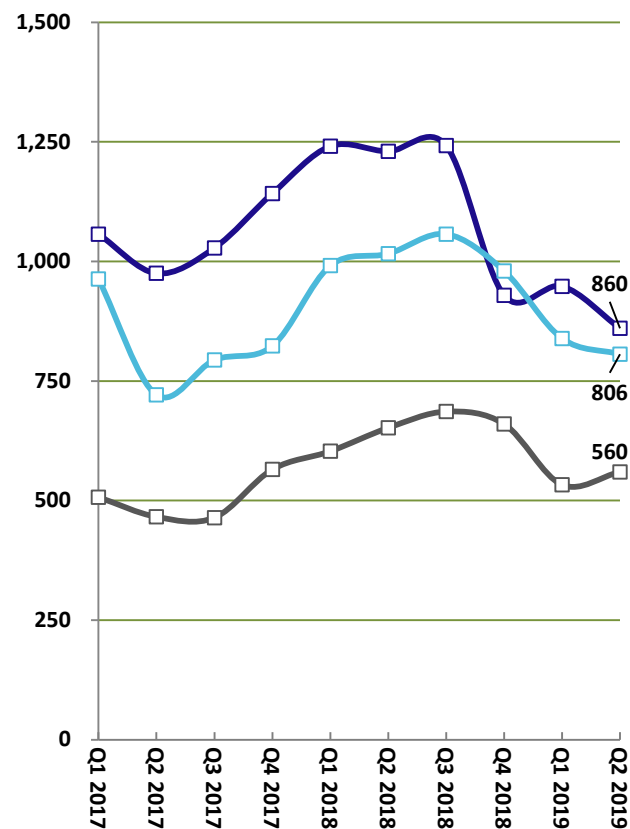
Product Spreads (in US\$/MT)

Product prices and spreads were adversely affected due to global capacity additions, and feedstock prices slightly increased.

OLEFINS

POLYOLEFINS

OTHERS



— Ethylene — Propylene — Naphtha

— Polyethylene — Polypropylene
— Naphtha

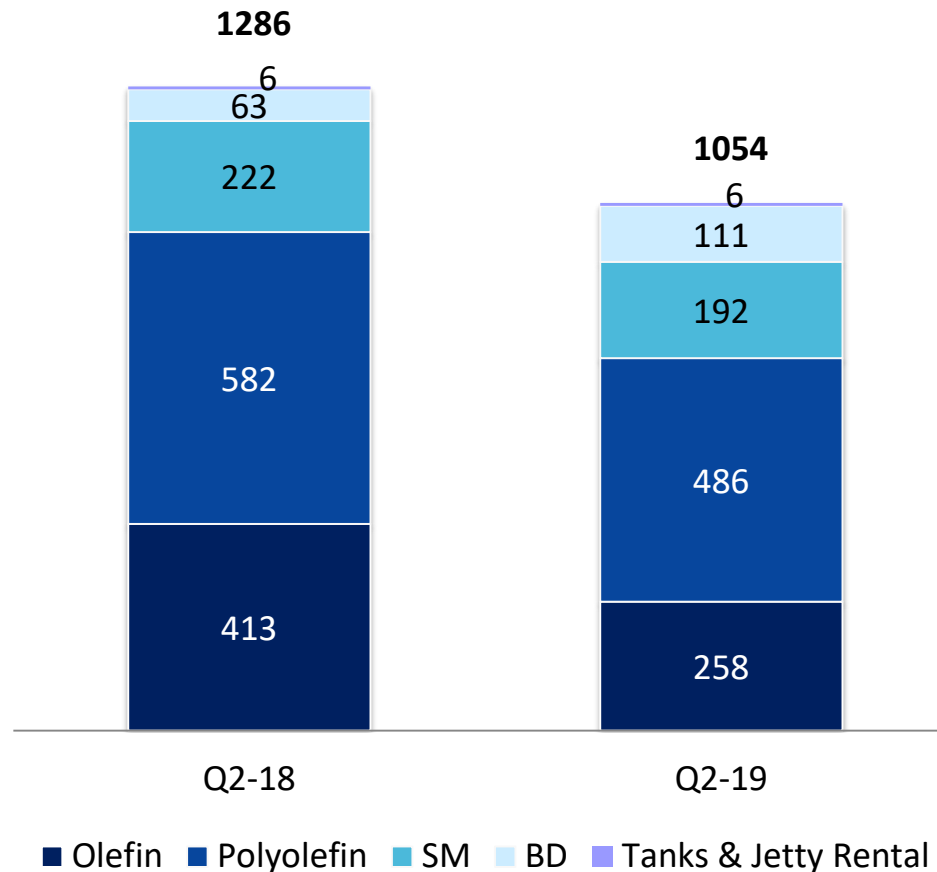
— SM — Butadiene — Naphtha

Net Revenues

Lower Net Revenues by 18.1% ytd to US\$1,053.7 million in Q2 2019, reflecting lower realized ASP for all products, primarily for Ethylene and Polyethylene.

Revenues by Segment (in US\$mn)

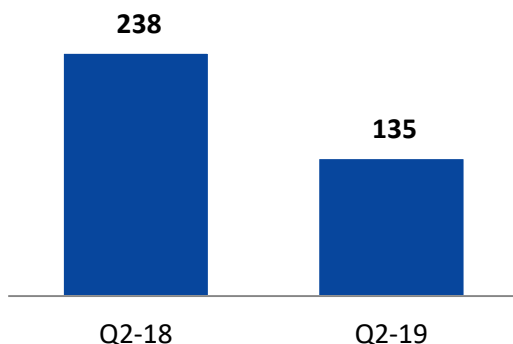
year to date



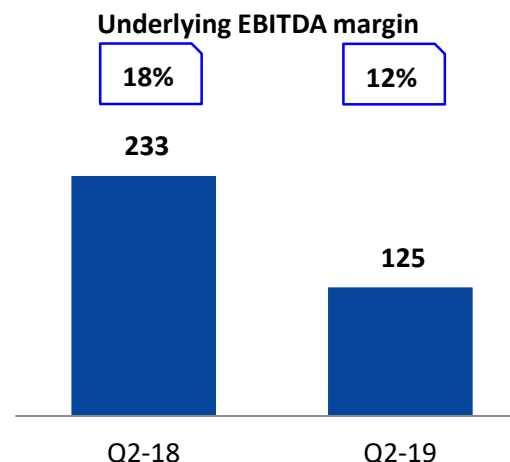
Key Financials (in US\$mn)

year to date

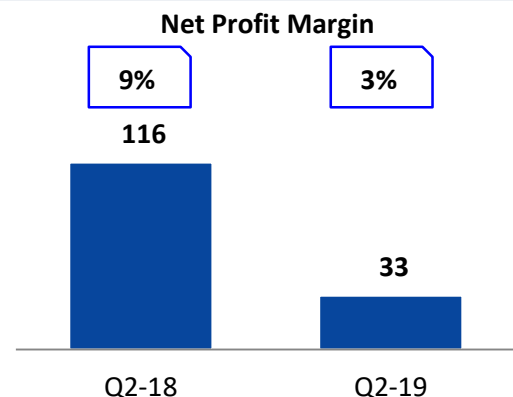
Gross Profit



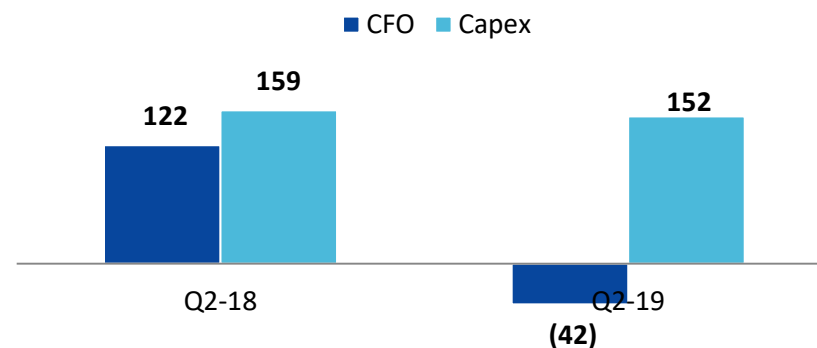
EBITDA



Net Profit



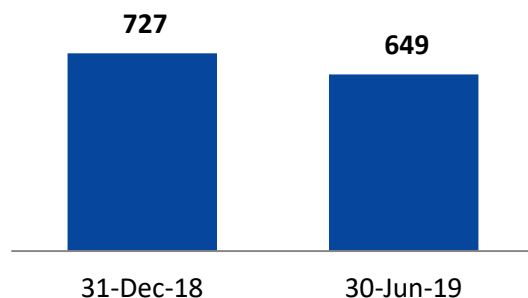
Cash Flow from Operations, Capex



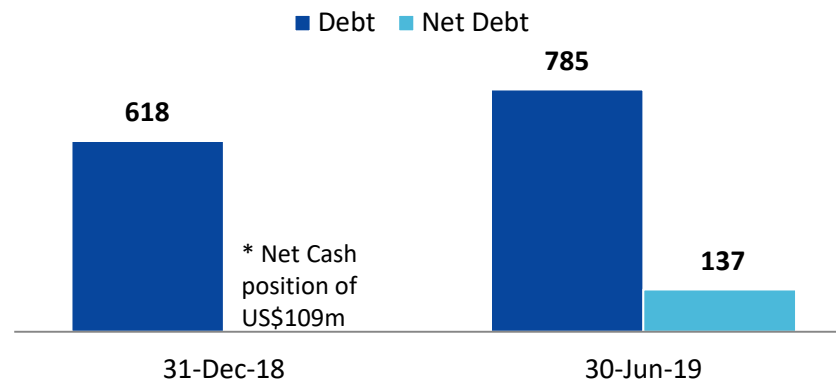
Underlying EBITDA = Earnings Before Interest, Tax, Depreciation, Amortization, Unrealized Foreign Exchange, Equity in Net loss of an Associate, and other non-operational, non-cash items

Key Financials (in US\$mn)

Cash Balance

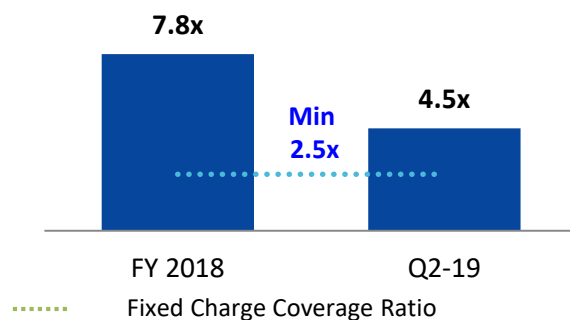


Debt and Net Debt

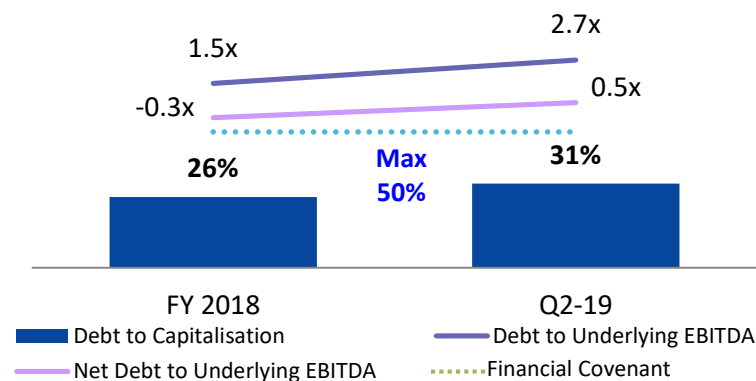


Underlying EBITDA / Finance Costs

(x)



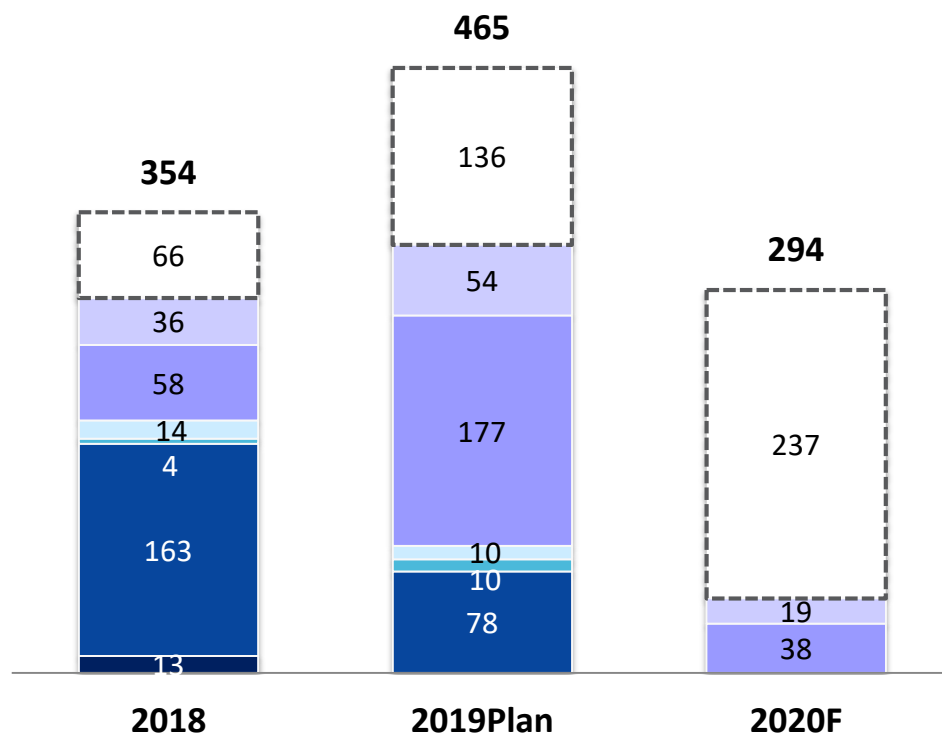
Leverage Ratios



Underlying EBITDA = Earnings Before Interest, Tax, Depreciation, Amortization, Unrealized Foreign Exchange, Equity in Net loss of an Associate, and other non-operational, non-cash items

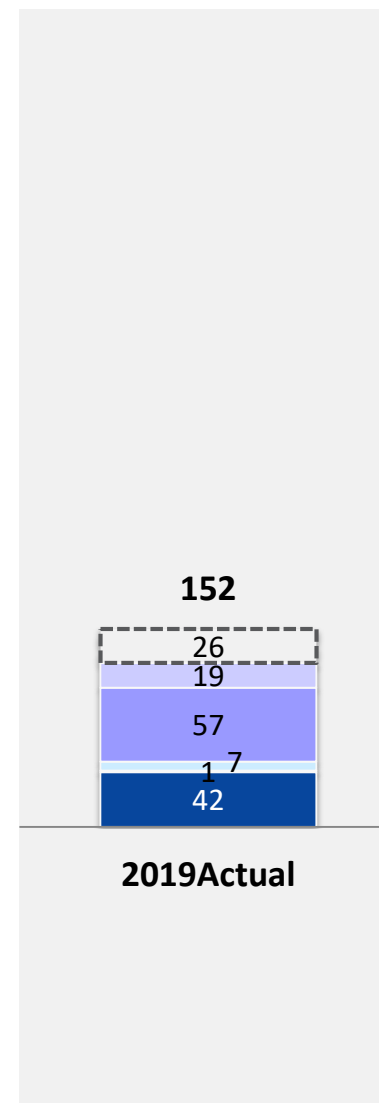
CAPEX Spending (in US\$mn)

Fully funded through to 2020



- BD expansion
- PP expansion
- Others/TAM
- New cracker initial spend

- PE expansion
- Furnace Revamp
- MTBE & Butene-1



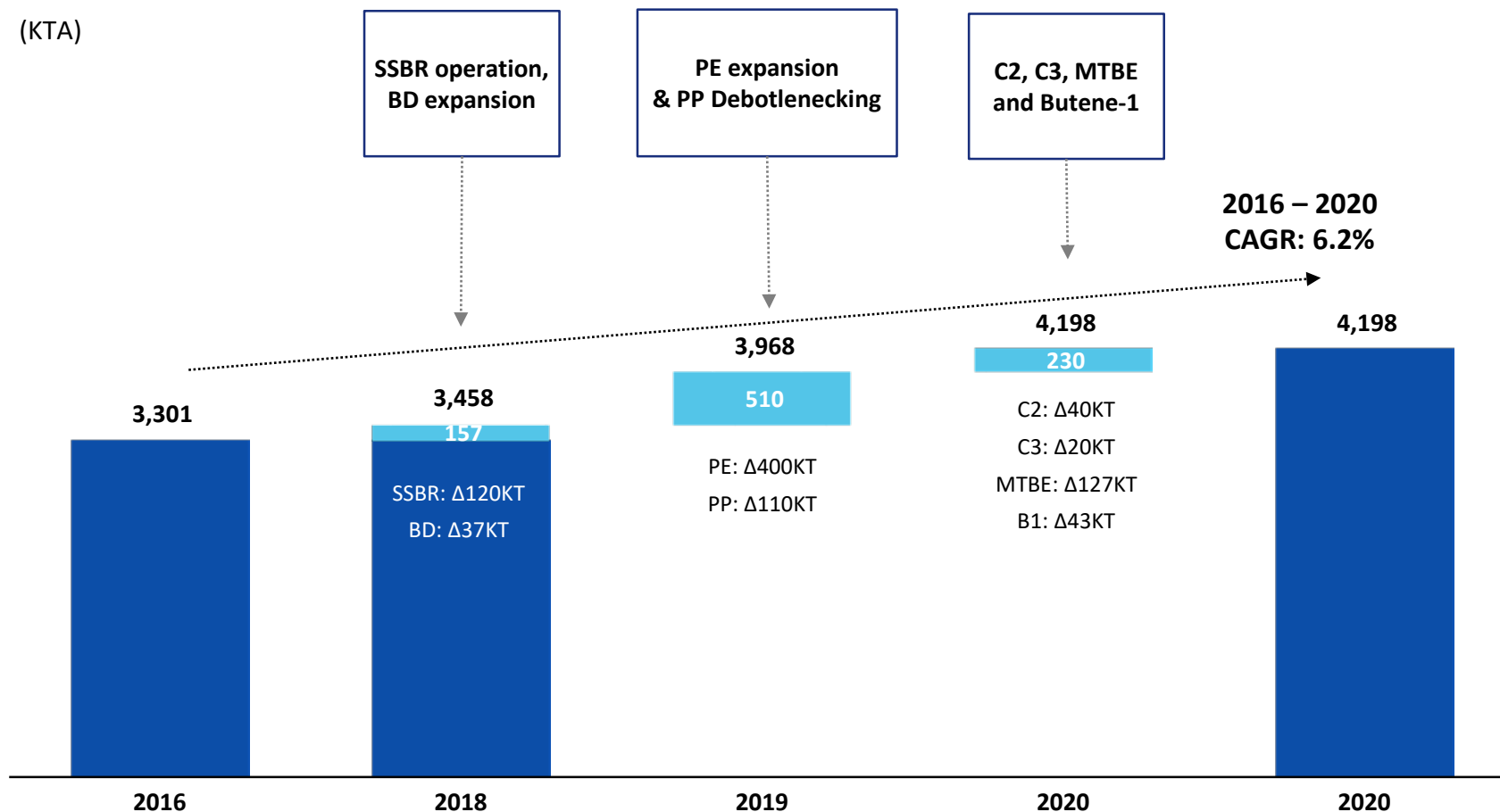


3. Strategic & Growth Projects Update

Strategic Growth via Expansion & Debottlenecking

After doubling the size of production capacity over historical 10-ys, expected further growth in the next 5-ys will come from several expansion & debottlenecking initiatives

(KTA)



Note:

SSBR – Solution Styrene Butadiene Rubber
BD Expansion - Butadiene Plant Expansion
PE - Polyethylene

PP – Polypropylene
MTBE - Methyl tert-butyl ether
C2 / C3 – Refers to furnace revamp

Projects

On Stream and On Track

Increase Production Capacity

Butadiene Plant Expansion

- Increase BD capacity by 100 KT/A to 137 KT/A
- Rationale:
 - ✓ Add value to incremental C4 post 2015 cracker expansion
 - ✓ Avoid opportunity loss of exporting excess C4
 - ✓ Enjoy BD domestic premium and fulfill SRI's BD requirement
- Status: Completed and restarted on 3 June 2018
- Investment: US\$ 42 million

On
Stream

New Polyethylene Plant

- New facility of total 400 KT/A to produce LLDPE, HDPE and Metallocene LLDPE
- Rationale:
 - ✓ Further vertical integration;
 - ✓ Protect and grow leading polymer market position in Indonesia
- Proposed start-up: 4Q2019
- Est. Investment: US\$ 380 million

Progress
99%

Furnace Revamp

- Increase cracker capacity by modifying heat internals to increase ethylene capacity from 860 KT/A to 900 KT/A and propylene capacity from 470 KT/A to 490 KT/A
- Proposed start-up: end 2019
- Est. Investment: US\$ 48 million

Progress
96%

Additional Expansion and Product Offering Initiatives

PP Debottlenecking

- Debottleneck PP plant to increase capacity by 110 KT/A from 480 KT/A to 590 KT/A
- Rationale:
 - ✓ Demand and supply gap for PP expected to widen in Indonesia
 - ✓ Opportunity to increase PP sales
- Proposed start-up: 4Q2019
- Est. Investment: US\$ 39.5 million

Progress
87%

MTBE and Butene – 1 Plant

- Production of 127 KT/A and 43 KT/A of MTBE and Butene-1, respectively
- Rationale:
 - ✓ Secure supply of MTBE and Butene-1 which are used in the production of Polyethylene
 - ✓ Excess demand for MTBE in Indonesia
- Proposed start-up: 3Q2020
- Est. Investment: US\$ 130.5 million

Progress
81%

Expand Product Offering by Moving Downstream

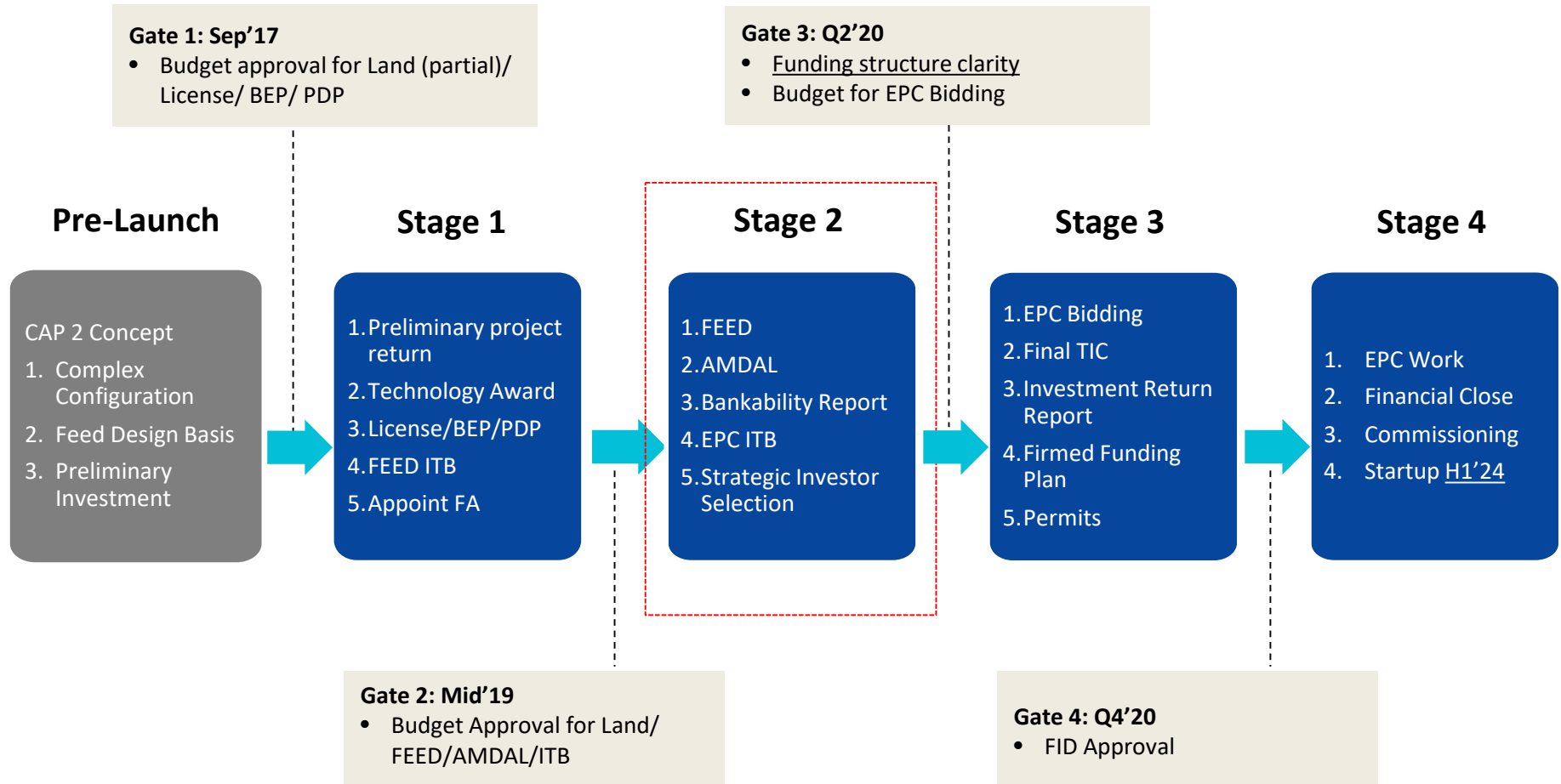
Synthetic Rubber Project (through SRI JV)

- Part of downstream integration strategy and efforts to produce higher-value added products
- Partnership with leading global player (55% Michelin and 45% CAP)
- Production capacity: 120 KT/A
- Status: Mechanical completion 24 May 2018 and started up 31 Aug 2018
- Investment: US\$435 million

On
Stream

CAP 2 – Project Master Schedule

Ongoing progress for selection of Strategic Investor. Target to have FID Approval by Q4 2020.

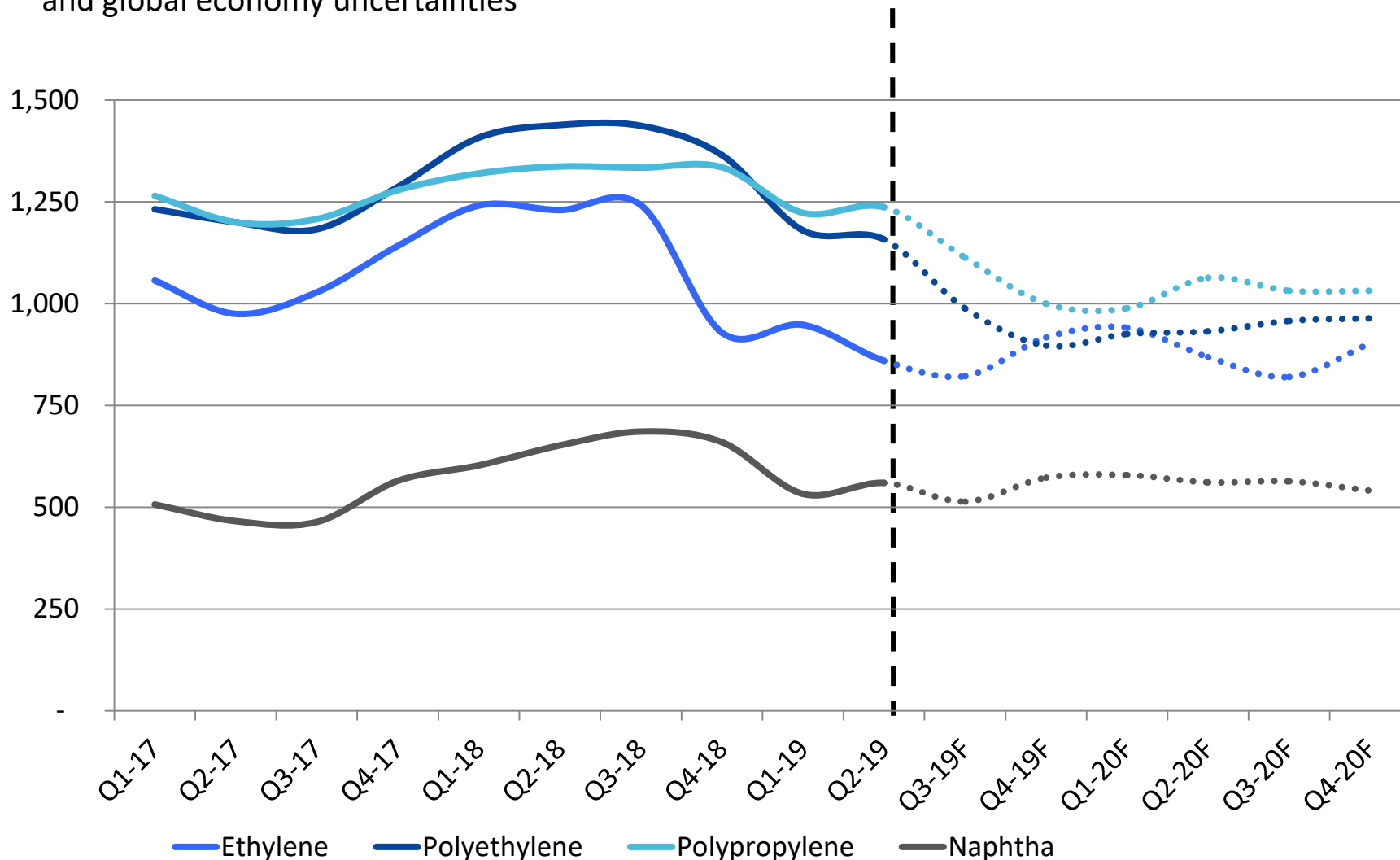




4. Outlook and Priorities

Margins Outlook (in US\$/MT)

Petrochemical margins are moderating along with new capacity additions, softening demands, and global economy uncertainties



Note: *) Dashed line - Forecasted price shown is based on IHS 2 September 2019 including premium.

**) Solid line - Company's actual prices.

H2 2019 Key Priorities

- ◆ To successfully restart Naphtha Cracker and other downstream plant facilities for a successful Turn Around Maintenance, within targeted 55 days.
- ◆ Commencing the start-up of our new 400KTA PE plant by Q4 2019 PE, to achieve overall 736KTA PE capacity (119% increase)
- ◆ Resume operations of our PP plant post debottlenecking in September with new capacity of 590KTA, up from 480KTA.
- ◆ Continue the capacity creep project of furnace revamp of our Naphtha Cracker facility which is expected to be completed by Q4 this year.
- ◆ To conclude the internal merger of CAP-PBI in order to improve the operational, management and capital structure efficiency. The merger is scheduled to be legally effective by 1 January 2020.
- ◆ Sustained focus on CAP 2 project development, with ongoing progress on selecting Strategic Investor.





Thank You

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